



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

May 19, 2006

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: David E. Janssen
Chief Administrative Officer

SACRAMENTO UPDATE

Additional Information on the Governor's May Budget Revision

When the Governor's Proposed Budget was introduced in January, it contained a number of proposals that would have negatively impacted the County. Our estimate was a \$26.2 million loss. The May Revision, however, amends some of the initial proposals and includes new recommendations which would result in a projected net increase of \$33.6 million.

While the County's justice and law enforcement programs would benefit the most from the May Revision, other programs such as CalWORKs face considerable reductions while at the same time the program could be substantially modified to comply with more stringent work requirements of the Federal Deficit Reduction Act. In addition, the Property Tax Administration Program continues to be suspended for FY 2006-07.

Consistent with our May 12, 2006 analysis of the May Budget Revision, the attached chart compares the estimated impact of the Governor's January and May Budget proposals on the County by program.

Booking Fees/Local Detention Facility Funds. With a goal of resolving outstanding disagreements between sheriffs and police chiefs over booking fees, the May Revision includes \$40 million to offset county costs to book suspects into county jails. The key elements of the proposal include:

- Provisionally eliminating the existing current booking fee charges.
- Establishing a new "Local Detention Facility Fund (LDFF) trust fund to be used to support operations, renovation, remodeling, reconstruction or construction of local detention facilities. Control of the funds would be given to the entity responsible for the county jail which are typically sheriffs.
- An annual State contribution of \$40 million to the LDFF.
- Authority for counties to impose a "jail access fee" (effectively another "booking fee") for certain lower level crimes such as municipal violations and many misdemeanors. Municipal code violations established after the creation of the jail access fee would also be exempt from the charge. These fees would be allocated to sheriffs based on the amount of booking fees received in FY 2005-06, and the number of bookings in the previous year.
- In any year that the State fails to appropriate at least \$40 million to the LDFF, the booking fee could be reestablished to a level of one-half of the actual cost of the service. Counties could adjust the booking fee by the increase in the Consumer Price Index plus one percent for each year that the State fails to make the minimum payment. Should the booking fee be restored, the jail access fee would be suspended for that year.

According to estimates from the California State Sheriff's Association, the County would receive \$6.2 million from this proposal. This compares with \$988,000 received in booking fees in FY 2004-05 and an estimated \$913,000 in FY 2005-06.

While the proposed changes would provide most counties with additional funds, the California State Association of Counties (CSAC) and others have identified some issues that are part of an ongoing discussion at the State level such as increasing county board of supervisors' control over expenditures from the LDFF, elimination of the fee exemption for new municipal code violations enacted after the creation of the LDFF, inclusion of a growth factor for the State's contribution to the LDFF, and providing more flexibility with respect to proposed anti-supplantation provisions.

Other May Revision Items of Interest

The following items provide additional information or clarification of proposals included in the May Revision:

Hospital License Fees. The May Revision includes a proposal to reform license fees paid by health facilities (e.g. hospitals and nursing homes) that finance State licensing and certification functions on such institutions. Among other elements of the proposal, the current fee exemption on government-operated facilities would be eliminated and public facilities would be required to pay licensing fees. The Department of Health Services estimates the impact of this proposal to be \$479,000.

Foster Care. The May Revision includes \$142 million in new funds to strengthen foster care reforms and improve outcomes for children. These new funds would be used to 1) increase funding for the Outcome Improvement Project which is designed to improve the lives of children in foster care or at-risk of foster care placement by supporting county improvement plans; 2) reduce the county share-of-cost for the transitional housing program for former foster youth from 60 percent to 30 percent; 3) expand independent living services for emancipating foster youth; 4) increase support services for children placed with relative caretakers; and 5) increase adoption of hard-to-place foster youth.

We are working with the Department of Children and Family Services to determine the impact of this proposal on the County.

Election Cost Reimbursement. While the Governor's January Budget proposal mentioned the Administration's plan to reimburse counties for the November 2005 special election, the May Revision does not include any funds for this purpose. Nevertheless, on May 17, 2006, Mike Genest, State Director of Finance, reported to counties that the Administration remains committed to reimburse counties. **County-supported AB 1634 (McCarthy)** proposes to appropriate \$27.8 million in the current budget year to cover the costs of the special election. CSAC recently conducted a survey and determined that counties are owed an estimated \$38.8 million. AB 1634 proposes to allocate \$6.7 million for the County; however, the Registrar-Recorder Department advises that the County should receive \$9 million.

Mentally Ill Offender Crime Reduction Grant Program. The May Revision includes \$50 million to award competitive grants for the implementation and assessment of multi-agency projects designed to curb recidivism among mentally ill offenders. The grants will be \$25 million for juvenile programs and \$25 million for adult programs. The allocation for the County is unknown at this time because the grant funds will be awarded on a competitive basis.

Vertical Prosecution Block Grants. The May Revision proposes to increase current year funding of \$8.2 million by an additional \$10.1 million in FY 2006-07 to support vertical prosecution units which dedicate specialized prosecutors, investigators, and victim advocates to follow specific cases through the entire judicial process. The allocation for the County is unknown at this time because the grant funds will be awarded on a competitive basis.

Cost of State Parolee Violators. The May Revision provides an additional \$10 million to address increasing FY 2005-06 and FY 2006-07 claims from counties. A total of \$2.5 million of this augmentation will be used to fund the increase in per diem reimbursement rate from \$68.22 to \$71.57. We are working with the Sheriff's Department to determine the impact of this proposal on the County.

Upcoming Budget Activities

Our Sacramento advocates indicate that because of the increased revenues and election year dynamics, the budget process will likely move in a highly accelerated fashion with the goal of producing an on-time budget by the Constitutional deadline of June 15, 2006. Since the release of the May Revision, the Legislature has been quickly considering Administration proposals and other requests in budget subcommittee hearings which are expected to continue through next week. Upon completion of these hearings, a budget conference committee is expected to convene the week of June 5, 2006.

Budget Subcommittee Action on AB 3632 Funding

On May 17, 2006, the Assembly Budget Subcommittee No. 1 on Health and Human Services unanimously rejected the Governor's May Revision proposal to suspend for two years the mandate on counties to provide AB 3632 services to special education pupils. The proposal also provides an additional \$69 million in non-Proposition 98 General Funds to create a categorical program whereby county mental health departments would enter into agreements with local education agencies for the provision of these services. The Subcommittee reduced the appropriation from \$69 million to \$68 million in order to send the issue to the Budget Conference Committee.

Our Sacramento advocates, CSAC, the California Mental Health Directors Association, the Urban Counties Caucus, and the Service Employees International Union urged the Subcommittee to reject the proposal because it does not provide full funding for the costs of the AB 3632 Program, allow for sufficient time for county mental health departments to enter into proposed memoranda of understanding (MOUs) with local education agencies by July 1, 2006, and to address payment of services when county funding for the program may run out; and guarantee access for special education students pursuant to Federal IDEA funding because the mandate on counties is suspended. The County is already owed over \$70 million for services provided back to FY 1997-98. Advocates respectfully urged the Subcommittee also provides counties with full funding for the cost of the AB 3632 Program.

Subcommittee Chair, Assembly Member Hector De La Torre, expressed extreme disappointment with the May Revision proposal and said that the AB 3632 Program is "at the same point as it was this time last year." In the signing message of the Budget Act of 2005, Governor Schwarzenegger indicated that stakeholder meetings were to be convened to develop a proposal to restructure the AB 3632 Program in time for the FY 2006-07 January Budget proposal. The stakeholders were never brought together, and no meetings have been held. Assembly Member De La Torre indicated that this issue may be revisited in his Subcommittee after the FY 2006-07 State Budget is finalized.

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On a related note, the Senate Budget and Fiscal Review Subcommittee No. 4 approved \$66 million for the payment of FY 2004-05 and FY 2005-06 AB 3632 claims.

We will continue to keep you advised.

DEJ:GK
MAL:JF:MR:cc

Attachment

c: All Department Heads
Legislative Strategist
Local 660
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants

**ESTIMATED IMPACT TO LOS ANGELES COUNTY
FROM THE GOVERNOR'S FY 2006-07 PROPOSED BUDGET
(In Millions)**

	January Budget	May Budget Revision
<u>Reductions :</u>		
Suspension of the Property Tax Administration Program	\$ (13.5)	\$ (13.5)
AB 3632 Special Education Pupil Program	(3.3)	3.0 ⁽¹⁾
Hospital License Fees	0.0	(0.5)
CalWORKs Programs:		
Single Allocation - Child Care	(38.2)	(45.2)
Other Single Allocation - Employment & Eligibility	(40.0)	(19.7)
Pay for Performance Allocation	(10.0)	13.3
	<u>(105.0)</u>	<u>(62.6)</u>
<u>Augmentations / Restorations :</u>		
Juvenile Justice Crime Prevention Act (JJCPA) Program	0.0	4.9
Citizens Option for Public Safety (COPS) Program:		
District Attorney	0.0	0.5
Sheriff	0.0	0.5
Unincorporated Areas	0.0	0.4
Standards and Training for Corrections Program		
Probation	0.0	2.2
Sheriff	0.0	1.7
Booking Fees / Local Detention Facility Funds	0.0	5.3 ⁽²⁾
Public Library Foundation Program	0.0	0.7
Repayment of Deferred State Mandates	14.0	24.3 ⁽³⁾
Proposition 42 - FY 2004-05 Loan Early Repayment	25.0	25.0
Substance Abuse Crime Prevention Act (Proposition 36)	30.0	30.0 ⁽⁴⁾
Election Cost Reimbursement	9.0	0.0 ⁽⁵⁾
DPSS: LEADER System	0.8	0.6
	<u>\$ 78.8</u>	<u>\$ 96.2</u>
Estimated Net Impact	\$ (26.2)	\$ 33.6

Notes:

- (1) The May Revision reflects an increase of AB 3632 funds from \$60 to \$69 million in FY 2006-07.
- (2) Reflects \$6.2 million increase in Local Detention Facility funds offset by a \$913,000 reduction in booking fee revenues.
- (3) Includes the funding for the 1st installment in FY 2006-07 and prepayment of the State's obligation in FY 2007-08.
- (4) Reflects funding for the continuation of Proposition 36 programs in FY 2006-07.
- (5) The May Revision does not appropriate funding for reimbursement for the November 2005 Special Election costs. Reimbursement is expected in FY 2005-06.

This table represents the estimated impact of the Governor's Proposed Budget and the May Revision. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.